

EXHIBIT C
FRANCHISE AGREEMENT

[SEE ATTACHED]

**BONEHEAD'S SEAFOOD, INC.
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this "Agreement") is made and entered into this day of _____, 200__ (the "Effective Date"), by and between BONEHEAD'S SEAFOOD, INC., a Georgia corporation with its principal office at 1935 Peachtree Road, Atlanta, Georgia 30309 ("Franchisor"), and _____, a _____ with (its principal office) (his/her residence) at _____ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor at a substantial expenditure of time, effort and money has established a system of developing, opening, operating and promoting casual restaurants offering fresh seafood dishes, other food products, alcoholic beverages and related restaurant services under the name "BONEHEADS" ("Boneheads Restaurants" or "Restaurants") (the "Boneheads System"); and

WHEREAS, the distinguishing features of the Boneheads System, include, but are not limited to, the name "BONEHEADS" and all such other trade names, trademarks, service marks, logos, emblems, insignia and signs developed for use with the Boneheads System from time to time (collectively, the "Marks"); specially designed fixtures, equipment, facilities, containers, and other items used in serving and dispensing food products; products, methods, procedures, recipes, distinctive food products and the formula and quality standards therefor; and instructional materials and training courses; all of which may be changed, improved and further developed by Franchisor from time to time; and

WHEREAS, Franchisor has acquired knowledge and experience in the composition, distribution, advertising and sale of food products by Restaurants using the Boneheads System and with respect to the style of the facilities and signs used by said Restaurants and has successfully established a reputation, demand and goodwill for the products sold by such Restaurants; and

WHEREAS, Boneheads Restaurants and the products sold therein have a reputation for quality that has been acquired and is being maintained by requiring all franchisees of the Boneheads System to maintain high standards of quality and service; and

WHEREAS, Franchisee recognizes the value and benefits to be derived from utilizing the Boneheads System and being associated with Franchisor, the Marks and other distinctive features of the Boneheads System, and now desires to obtain a franchise from Franchisor to use the Boneheads System and to operate a Boneheads Restaurant at an approved location, and Franchisor is willing to grant Franchisee the right to operate a Boneheads Restaurant, all subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the covenants and agreements hereinafter set forth, it is mutually understood, agreed and covenanted as follows:

1. GRANT OF FRANCHISE

During the term of this Agreement, Franchisor hereby grants to Franchisee the non-exclusive right and license, and Franchisee undertakes the obligation, to develop and operate a Boneheads Restaurant and to use solely in connection therewith, the Marks and the Boneheads System in accordance with the terms and conditions of this Agreement only at the Franchised Site, as such term is hereinafter defined. Franchisee agrees to use the Marks and Boneheads System, as they are changed, improved and further developed by Franchisor from time to time. Unless otherwise agreed to by Franchisor, Franchisee has four months from the Effective Date to complete the initial training as required by Section 14.1 and to commence operation of the Restaurant. Franchisee must obtain Franchisor's written approval prior to commencing operation of the Restaurant.

2. TERM AND RENEWAL

2.1 Initial Term. Unless terminated earlier in accordance with the terms and conditions set forth herein, this Agreement and the franchise granted hereunder shall have an initial term of 10 years commencing as of the Effective Date (the "Initial Term").

2.2 Renewal. Upon the expiration of the Initial Term, Franchisee shall have the right to renew the franchise granted hereunder for an additional 10 year period provided that all of the following conditions are met:

(i) Franchisee gives Franchisor written notice of its election to renew the franchise not less than six months prior to the expiration of the Initial Term;

(ii) Franchisee is not, when notice is given, and does not become prior to the expiration of the Initial Term, in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or its subsidiaries or affiliates or with any other creditor or supplier of the Restaurant or lessor or sublessor of the Franchised Site, and Franchisee shall have fully and faithfully performed all of its obligations under this Agreement and all such other agreements throughout their terms;

(iii) Franchisee shall execute, at Franchisor's option, Franchisor's then-current form of Franchise Agreement, which Franchise Agreement shall supersede in all respects the terms and conditions of this Agreement and may contain terms and conditions substantially different from those set forth herein, including, without limitation, an increase in Royalty Fees or Advertising Fees (as such terms are hereinafter defined); provided, however, the renewal Franchise Agreement shall not provide for any additional renewal rights;

(iv) Franchisee shall pay a renewal fee equal to the then-current Franchise Fee (as such term is hereinafter defined) charged by Franchisor;

(v) Franchisee shall complete, at its own expense and to Franchisor's satisfaction, all maintenance, refurbishing, renovation, modernizing and

remodeling of the Restaurant as Franchisor shall reasonably require so as to reflect the current image and standards of Boneheads Restaurants;

(vi) Franchisee shall be current in the payment of all obligations to Franchisor and to any of its affiliates and subsidiaries as well as lessors, vendors and suppliers of the Restaurant;

(vii) Prior to renewal, Franchisee and/or Franchisee's supervisory and operational manager(s) shall at Franchisee's expense, attend and successfully complete to Franchisor's reasonable satisfaction any retraining program Franchisor may require;

(viii) Franchisee and its owners execute a general release, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor, including any affiliates or subsidiaries, and its and their officers, directors, shareholders, managers, members, partners, employees and agents; and

(ix) Franchisee provides Franchisor with evidence that Franchisee has the right to remain in possession of the Franchised Site or to secure and develop a suitable alternative site acceptable to Franchisee for the renewal term.

3. FRANCHISED SITE AND TERRITORY

3.1 Franchised Site. The rights granted to Franchisee hereunder shall be non-exclusive and shall be restricted to the operation of a single Boneheads Restaurant to be located at the address and location set forth on Exhibit A attached hereto (the "Franchised Site"). During the term of this Agreement, the Franchised Site shall be used exclusively to operate a Restaurant. In connection with the execution of the any lease or sublease for the Franchised Site, Franchisee must execute, and cause the lessor and/or sublessor of the Franchised Site to execute, the Lease Addendum attached to the Market Development Agreement entered into between Franchisor and Franchisee (the "Development Agreement"), in addition to complying with any other obligations and conditions contained in the Development Agreement relating to the lease or sublease of the Franchised Site and the development and construction of the Restaurant. The rights granted to Franchisee are for the specific Franchised Site and cannot be transferred to any other location, except with Franchisor's prior written approval.

3.2 Territorial Protection. Franchisor will not establish for itself or grant a franchise to any other party to establish a Restaurant within the territory specified on Exhibit A attached hereto (the "Franchise Territory"). Notwithstanding anything herein to the contrary, if any disagreement arises regarding the area comprising the Franchise Territory, then Franchisor's decision as to the definition of the Franchise Territory shall be final and binding. Except as expressly provided in the first sentence of this Section 3.2, Franchisee acknowledges that the franchise granted under this Agreement is non-exclusive and Franchisee has no territorial protection and Franchisee has no right to exclude, control or impose conditions on the location or development of other or future franchises under the Marks, or on any sales or distribution of products under the Marks or other business activities of Franchisor or any other party licensed to use the Marks.

3.3 Reservation of Rights. Franchisor retains the right, in its sole discretion, to:

(i) Establish and operate, and grant to other franchisees or licensees the right to establish and operate, a Boneheads Restaurant or any other business using the Marks, the Boneheads System or any variation of the Marks and the Boneheads System, in any location outside the Franchise Territory, on any terms and conditions that Franchisor deems appropriate;

(ii) Develop, use and franchise anywhere (including within the Franchise Territory) the rights to any trade names, trademarks, service marks, commercial symbols, emblems, signs, slogans, insignia, patents or copyrights not designated by Franchisor as Marks, for use with similar or different franchise systems for the sale of similar or different products or services than those constituting a part of the Boneheads System, without granting Franchisee any rights therein;

(iii) Offer, ship, sell and provide products or services identified by the Marks or other trademarks, service marks, commercial symbols or emblems to customers located in the Franchise Territory through any distribution channel or method, including grocery stores, convenience stores, Internet (or any other existing or future form of electronic commerce), and delivery services, irrespective of the proximity to the Restaurant without compensation to Franchisee; provided, however, that any such sales will not be made from a Boneheads Restaurant located in the Franchise Territory;

(iv) Own, operate, franchise or license anywhere, even in close proximity to the Restaurant licensed hereunder, restaurants of any other type whatsoever operating under marks other than the Marks; and

(v) Engage in any other activity, action or undertaking that Franchisor is not expressly prohibited from taking under this Agreement.

3.4 Catering and Delivery Services. Franchisor acknowledges and agrees that Franchisee may provide catering and delivery services within a reasonable distance from the Franchised Site not to exceed 25 miles, within or without the Franchise Territory, but solely in connection with providing such catering and delivery services and provided such services are made by ground transportation. Subject to the foregoing maximum mileage restriction, Franchisee may provide catering and delivery services in the exclusive territories of other Boneheads franchisees, and other Boneheads franchisees may provide the same services in the Franchise Territory.

4. INITIAL FRANCHISE FEE

Upon the execution of this Agreement, Franchisee shall pay to Franchisor an initial franchise fee in an amount set forth on Exhibit A (the "Franchise Fee"). In the event the Development Agreement requires the payment of a development fee by Franchisee to Franchisor, there shall be credited toward the payment of the Franchise Fee all or a portion of those development fees in the manner and to the extent provided for in the Development

Agreement. Franchisee acknowledges and agrees that the Franchise Fee is paid as consideration for Franchisor granting Franchisee the right to develop, open and operate the Restaurant using the Marks and the Boneheads System and that the Franchise Fee is fully earned by Franchisor at the time this Agreement is executed, and the Franchise Fee shall not be refundable for any reason.

5. ROYALTY FEE; METHOD OF PAYMENT; LATE PAYMENT

5.1 Royalty Fee. In addition to all other amounts required to be paid hereunder, during the term hereof, Franchisee agrees to pay to Franchisor for the rights granted hereunder a royalty fee equal to 5% of the Gross Sales (as such term is hereinafter defined) of the Restaurant (the "Royalty Fee"). Payment of the Royalty Fee shall be made on or before Tuesday of each week for Gross Sales of the Restaurant for the preceding week.

5.2 Definition of Gross Sales. Gross Sales shall mean the amount of sales of all products and services sold in, on, about or from the Restaurant, together with any other revenues derived from the operation of the Restaurant, whether by Franchisee or by any other person, whether or not in accordance with the terms hereof, and whether for cash or on a charge, credit, barter or time basis, including, but not limited to, all such sales and services (i) where orders originate and/or are accepted by Franchisee in the Restaurant but delivery or performance thereof is made from or at any place other than the Restaurant or (ii) pursuant to telephone or other similar orders received or filled at or in the Restaurant. For purposes of determining the Royalty Fee and Advertising Fee, there shall be deducted from Gross Sales: (a) the amount of refunds, allowances or discounts to customers (including coupon sales) up to 5% of the Gross Sales, provided the related sales have previously been included in Gross Sales; and (b) the amount of any excise or sales tax levied upon retail sales and paid over to the appropriate governmental authority.

5.3 Automated Bank Draft. Franchisee understands and agrees that Franchisor reserves the right and may require, in its sole discretion, that all Royalty Fees, Advertising Fees, Advertising Cooperative (as defined below) contributions and other fees or contributions required to be paid to Franchisor or any Advertising Cooperative hereunder must be paid by automated bank draft or other reasonable means necessary to ensure payment of such fees are received by Franchisor or the appropriate Advertising Cooperative. Franchisee agrees to comply with Franchisor's payment instructions.

5.4 Late Payments and Insufficient Funds. All overdue payments for Royalty Fees, Advertising Fees and other fees required to be paid hereunder shall bear interest from the date due at the rate specified by Franchisor from time to time, up to the highest rate permitted by the law, but in no event shall such rate exceed 18% per annum. Interest shall accrue on all late payments regardless of whether Franchisor exercises its right to terminate this Agreement as provided for herein. In addition to its right to charge interest as provided herein, Franchisor may charge Franchisee a \$100.00 late payment fee for all such overdue payments and a \$100.00 insufficient funds fee for each check, automated bank draft payment, or other payment method that is not honored by Franchisee's financial institution. Franchisee acknowledges that Franchisor has the right to set-off amounts Franchisee owes Franchisor against any amounts Franchisor may owe Franchisee.

5.5 Application of Payments. Notwithstanding designation by Franchisee to the contrary, all payments made by Franchisee hereunder will be applied by Franchisor at its discretion to any of Franchisee's past due indebtedness.

6. RECORDS, REPORTS AND AUDITS

6.1 Bookkeeping and Recordkeeping. Franchisee agrees to establish a bookkeeping and recordkeeping system conforming to the requirements prescribed from time to time by Franchisor, relating, without limitation, to the use and retention of daily sales slips, coupons, purchase orders, purchase invoices, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, payroll records, journals and general ledgers. In establishing and maintaining Franchisee's bookkeeping and record keeping system, Franchisee shall use all form documents established by Franchisor in the Operations Manual (as defined below) or otherwise. Franchisee acknowledges and agrees that if Franchisor is required or permitted by statute, rule, regulation or any other legal requirement to disclose any information regarding Franchisee or the operation of the Restaurant, including, without limitation, earnings or other financial information, Franchisor shall be entitled to disclose such information. In addition, Franchisee hereby expressly permits Franchisor to disclose any such information to potential purchasers (and their employees, agents, and representatives) of Franchisor in connection with the sale or transfer of any equity interests or assets of Franchisor or any merger, reorganization or similar restructuring of Franchisor.

6.2 Reporting. Franchisee must provide Franchisor with those financial reports required by Franchisor from time to time. All such reports shall be prepared (i) using any form documents established by Franchisor as set forth in the Operations Manual or otherwise and (ii) in accordance with the generally accepted accounting principles of the United States, to the extent applicable. Franchisee's current reporting obligations include the following:

(i) A statement of relevant Gross Sales in the form required by Franchisor to be delivered with each payment of the Royalty Fee and Advertising Fee no later than 5:00 p.m. on each Tuesday;

(ii) A monthly unaudited balance sheet and profit and loss statement in a form satisfactory to Franchisor covering Franchisee's business for the prior month and fiscal year to date, all of which shall be certified by Franchisee as true and correct and delivered to Franchisor no later than the 21st day of each month;

(iii) Annual financial statements compiled or reviewed by an independent certified public accountant in a form satisfactory to Franchisor, which shall include a statement of income and retained earnings, a statement of cash flows, and a balance sheet of Franchisee, all for the fiscal year then ended. If Franchisee does not, in the ordinary course, obtain financial statements compiled or reviewed by an independent certified public accountant, then Franchisee may provide internally prepared financial statements which shall be certified as true and correct by Franchisee or Franchisee's principal executive officer or chief financial officer if Franchisee is a partnership, corporation or limited liability

company. Franchisor shall have the right at any time to require audited annual statements to be provided to it, at Franchisee's expense;

(iv) An annual copy of Franchisee's signed 1120 or 1120S tax form (including all supporting schedules) as filed with the Internal Revenue Service (or any forms which take the place of those forms), and all other federal, state and local sales and use and income tax reports Franchisee is required to file, all to be delivered within 30 days after filing;

(v) A statement of local advertising expenditures made pursuant to Section 11.3 below for each calendar quarter and fiscal year to date, in a form satisfactory to Franchisor, along with invoices documenting such expenditures (if required by Franchisor), to be delivered within 15 days after the end of each calendar quarter;

(vi) Insurance certificates upon the annual renewal of the policies and all health and safety inspection reports; and

(vii) Any other data, information and supporting records reasonably requested by Franchisor.

All reports or other information required to be submitted under this Section 6.2 shall be submitted to the attention of Franchisor's franchise department. If any of the reports or other information required to be given to Franchisor in accordance with this Section are not received by Franchisor by the required deadline, Franchisor may charge Franchisee a late submission fee equal to \$100.00.

6.3 Audit. Franchisee shall allow representatives of Franchisor to inspect Franchisee's books and records at all reasonable times in order to verify Gross Sales that Franchisee reports as well as to verify Franchisee's advertising expenditures required by Section 11.3 below and any other matters relating to this Agreement and the operation of the Restaurant. Franchisor may require Franchisee to submit to Franchisor, or Franchisor's representatives, copies of Franchisee's books and records for any offsite inspection that Franchisor or Franchisor's representatives conduct to audit the Restaurant. If an inspection reveals that Gross Sales of Franchisee have been understated, Franchisee shall immediately pay to Franchisor the amount of Royalty Fees and Advertising Fees overdue, unreported or understated, together with interest as prescribed in Section 5.4 above. All inspections shall be at the expense of Franchisor; provided, however, if the inspection results in a discovery of a discrepancy in the Gross Sales reported by Franchisee of 5% or more, then Franchisee shall pay or reimburse Franchisor for any and all reasonable expenses incurred by Franchisor in connection with the inspection, including, but not limited to, attorneys' and accounting fees and travel expenses, room and board and compensation of Franchisor's employees, as well as interest on the amounts owed at the highest legal rates allowed from the date payment was due.

7. OPERATIONS MANUAL

During the term of this Agreement, Franchisor will loan to Franchisee one copy of, or provide Franchisee with electronic access to, Franchisor's confidential operations manual (the

“Operations Manual”), which may consist of printed manuals, computerized documents or software, information provided on the internet or an extranet, audiotapes, videotapes, or any other medium Franchisor adopts periodically for use with the Boneheads System and designates as part of the Operations Manual. The Operations Manual will contain information and specifications concerning the standards and specifications of the Boneheads System, the development and operation of the Restaurant and any other information and advice Franchisor may periodically provide to its franchisees. Franchisor may update and change the Operations Manual periodically to reflect changes in the Boneheads System and the operating requirements applicable to Boneheads Restaurants, and Franchisee expressly agrees to comply with each requirement within such reasonable time as Franchisor may require, or if no time is specified, within 30 days after receiving notification of the requirement. Franchisee shall at all times ensure that its copy of the Operations Manual and any other confidential materials supplied by Franchisor to Franchisee are kept current and up to date. Franchisee must keep any printed Operations Manual in a secure location at the Restaurant, and must restrict employee access to the Operations Manual on a need to know basis, and take reasonable steps to prevent unauthorized disclosure or copying of any information in any printed or computerized Operations Manual. If Franchisor and Franchisee have any disagreement about the most current contents of the Operations Manual, Franchisor’s master copy of the Operations Manual will control. Upon the expiration or termination of this Agreement for any reason, Franchisee must return all copies of the Operations Manual to Franchisor, and upon Franchisor’s request, certify to Franchisor that Franchisee has not kept any copies in any medium. The Operations Manual is confidential, copyrighted and Franchisor’s exclusive property.

8. MODIFICATION AND IMPROVEMENTS TO THE BONEHEADS SYSTEM

8.1 Modification by Franchisor. Franchisee recognizes and agrees that from time to time hereafter, Franchisor may change, modify or improve the Boneheads System, including, without limitation, modifications to the Operations Manual, the menu and format, the processes and systems to support the business, the menu items and other product ingredients, the products offered for sale, the required equipment, the signage, the presentation and usage of the Marks, and the adoption and use of new, modified or substituted Marks or other proprietary materials. Franchisee agrees to accept, use and/or display for the purposes of this Agreement any such changes, modifications or improvements to the Boneheads System, including, without limitation the adoption of new, modified or substituted Marks, as if they were part of the Boneheads System as of the Effective Date, and Franchisee agrees to make such expenditures as such changes, modifications or improvements to the Boneheads System may require. For purposes of this Agreement, all references to the Boneheads System shall include such future changes, modifications and improvements.

8.2 Modification by Franchisee. If Franchisee develops any new modification, concept, process, improvement or slogan in the operation or promotion of the Restaurant or to the Boneheads System, the same shall be deemed a work made for hire, and Franchisee shall promptly notify Franchisor of, and provide Franchisor with all necessary information, regarding such modification, concept, process, improvement or slogan, without compensation to Franchisee. Franchisee acknowledges that any such modification, concept, process, improvement or slogan shall become Franchisor’s sole and exclusive property and that

Franchisor may use or allow other franchisees to use the same in connection with the Boneheads System or the operation of Boneheads Restaurants, without compensation to Franchisee.

9. OBLIGATIONS OF FRANCHISEE

Franchisee recognizes the mutual benefit to Franchisee, Franchisor and other franchisees of the Boneheads System of the uniformity of the appearance, services, products and advertising of the Boneheads System and acknowledges and agrees that such uniformities are necessary for the successful operation of Boneheads Restaurants. Franchisee also acknowledges and agrees that products and services sold under the Marks and at Boneheads Restaurants have a reputation for excellence. This reputation has been developed and maintained by Franchisor, and Franchisee acknowledges and agrees that it is of the utmost importance to Franchisor, Franchisee, and all other franchisees of the Boneheads System that such reputation be maintained. To this end, Franchisee covenants and warrants with respect to the operation of the Restaurant that Franchisee and its employees and agents will comply with all of the requirements of the Boneheads System and the Operations Manual and will throughout the term of this Agreement:

(i) Operate the Restaurant and prepare and sell all products and services sold therein in accordance with the specifications, standards, business practices and policies of Franchisor now in effect or hereafter promulgated, and comply with all requirements of Franchisor, the Boneheads System and the Operations Manual as they are now or hereafter established, including, without limitation, any health, sanitation and cleanliness standards and specifications. Franchisor and its duly authorized representatives shall have the right, if they so elect, at all reasonable times, to enter and inspect the Restaurant to ensure that Franchisee is complying with such specifications, standards, business practices, policies and requirements and to test any and all equipment, systems, products and ingredients used in connection with the operation of the Restaurant. If Franchisee in any way shall fail to maintain the standards of quality for the products and services as established by Franchisor from time to time, Franchisor shall notify Franchisee in writing of the failure and give Franchisee 10 days in which to cure such failure. If Franchisee fails to cure such failure within such 10 day period, Franchisor shall, in addition to any other remedy available to it, have the right to assign to the Restaurant such persons as it deems necessary for the training of Franchisee's employees to ensure that the standards of quality for the products and services are maintained. Franchisee shall reimburse Franchisor for all costs associated with providing such personnel, including costs of transportation, meals, lodging, salaries, wages and other compensation (including fringe benefits).

(ii) Maintain at all times, at its expense, the Restaurant and its machinery, equipment, fixtures, furnishings, furniture, décor, premises, parking areas, landscape areas, if any, and interior and exterior signs in an excellent, clean, attractive and safe condition in conformity with the Operations Manual and Franchisor's high standards and public image. Franchisee shall promptly make all repairs and replacements thereto as may be required to keep the Restaurant in the

highest degree of sanitation, repair and condition and to maintain maximum efficiency and productivity. However, Franchisee shall not undertake any alterations or additions (but may perform maintenance and make repairs) to the buildings, equipment, premises or parking areas associated with the Restaurant without the prior written approval of Franchisor. If Franchisor changes its image or standards of operation with respect to the Restaurant, Franchisee expressly agrees to comply with each change within such reasonable time as Franchisor may require, or if no time is specified, within 30 days after receiving notification of the change. Franchisee shall also maintain maintenance contracts and/or service contracts on all equipment and machinery designated by Franchisor and Franchisor shall have the right to designate the vendor(s) for such contracts and the requirements for the contracts.

(iii) Comply with all applicable laws, rules, ordinances and regulations that affect or otherwise concern the Restaurant or the Franchised Site, including, without limitation, zoning, disability access, signage, fire and safety, fictitious name registrations, sales tax registration, and health and sanitation. Franchisee will be solely responsible for obtaining any and all licenses and permits required to operate the Restaurant. Franchisee must keep copies of all health, fire, building occupancy and similar inspection reports on file and available for Franchisor to review. Franchisee must immediately forward to Franchisor any inspection reports or correspondence stating that Franchisee is not in compliance with any such laws, rules, ordinances and regulations.

(iv) Maintain sufficient inventories and employ sufficient employees to operate the Restaurant at its maximum capacity and efficiency at such hours or days as Franchisor shall designate or approve in the Operations Manual or otherwise, and operate the Restaurant for such hours or days so designated or approved by Franchisor.

(v) Require all employees of the Restaurant to wear uniforms and abide by the dress guidelines conforming to the specification and standards Franchisor may from time to time designate in the Operations Manual or otherwise.

(vi) Require all employees of the Restaurant to conduct themselves at all times in a competent and courteous manner and use best efforts to ensure that its employees maintain a neat and clean appearance and render competent, sober and courteous service to patrons of the Restaurant. Franchisor shall have no control over Franchisee's employees, including, without limitation, work hours, wages, hiring or firing.

(vii) Use and purchase only those ingredients, products, supplies, furnishings and equipment that (a) conform to the standards and specifications designated by Franchisor in the Operations Manual or otherwise, and (b) are purchased from suppliers designated or approved in writing by Franchisor. Franchisor may designate, at any time and for any reason, a single or multiple

suppliers for ingredients, products, supplies, furnishings and equipment and require Franchisee to purchase exclusively from such designated supplier or suppliers, which exclusive designated supplier(s), may be Franchisor or an affiliate of Franchisor. If Franchisor designates itself as a supplier, Franchisor has the right to earn a profit on any items it supplies. Franchisor and its affiliates may receive payments, discounts or other consideration from suppliers in consideration of such suppliers' dealings with Franchisee and/or the system of Boneheads franchisees, and may use all amounts received by it without restriction. Franchisor is not required to give Franchisee an accounting of supplier payments or to share the benefit of supplier payments with Franchisee or other Boneheads franchisees.

(viii) If Franchisee desires to purchase any ingredients, products, supplies, furnishings and equipment from suppliers other than those previously approved by Franchisor and such items have not been designated by Franchisor to be exclusively supplied by a designated supplier(s), Franchisee shall first submit to Franchisor a written request for authorization to purchase such items, together with such information and samples as Franchisor may require. Franchisor shall have the right to require periodically that its representatives be permitted to inspect such items and/or suppliers' facilities, and that samples from the proposed suppliers, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections shall be a condition of the initial and continuing approval of such supplier, manufacturer or distributor. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor shall, within 90 days after its receipt of such request and completion of such evaluation and testing (if required by Franchisor), notify Franchisee in writing of its approval or disapproval. Franchisor may deny such approval for any reason, including its determination to limit the number of approved suppliers. The provisions above shall only apply if Franchisor has not designated a supplier or suppliers.

(ix) Prominently display at the Restaurant and the Franchised Site signs using the name "BONEHEADS", and/or other signs, of such nature, form, color, number, location and size, and containing such material as Franchisor may from time to time reasonably direct or approve in writing; and not display in the Restaurant or on the Franchised Site or elsewhere any sign or advertising media of any kind to which Franchisor reasonably objects. Franchisor or its authorized representatives may at any time during normal business hours enter the Restaurant or the Franchised Site and remove any objectionable signs or advertising media.

(x) Use Franchisee's best and continuing efforts to fully promote and develop the Restaurant and use the Franchised Site only for the purposes designated in this Agreement and avoid any activities that would conflict or interfere with or be detrimental to such purposes.

(xi) Sell only those products and services from the Restaurant specified by Franchisor from time to time in the Operations Manual or otherwise, and refrain from maintaining or using vending machines, video game machines, telephone booths, or entertainment devices not included in the Boneheads System, unless approved in writing by Franchisor.

(xii) Refrain from deviating from the formulas, recipes or specifications of materials and ingredients of food as specified by Franchisor, without the prior written consent of Franchisor, and adhere to the menu and all changes, alterations, additions and subtractions thereof, thereto or therefrom as specified by Franchisor from time to time and follow all specifications of Franchisor as to the uniformity of products and weight, quality and quantity of unit products served and sold, and serve and sell only such menu items as are designated by Franchisor. Franchisee shall not sell any additional food and/or drink items or any other merchandise of any kind without the prior written approval of Franchisor.

(xiii) For carry-out orders, serve all products in such printed paper containers, boxes, wrappers, trays, soft drink cups and carry-out bags the conform to the standards and specifications designated by Franchisor in the Operations Manual or otherwise.

(xiv) Make no physical changes from blueprint specifications or approved remodeling plans in connection with the premises constituting the Restaurant on the Franchised Site, or the design thereof, or any of the materials used therein, or their colors, without the express written approval of Franchisor, except that Franchisee will, upon request of the Franchisor, make such reasonable alterations to the Restaurant or premises as may be necessary to conform to the then-current marketing and operating standards and specifications of the Boneheads System. Franchisee will paint the Restaurant (interior or exterior) at such intervals as Franchisor may reasonably determine to be advisable, which determination shall in no event be more than once in any calendar year, using paints which will be in accordance with specifications given by Franchisor.

(xv) Ensure that an individual who has completed the initial training program described in Section 14.1 below is at the Restaurant at all times during normal business hours as established by Franchisor from time to time.

(xvi) Participate in all national, regional or local advertising and promotional activities Franchisor requires. Franchisee understands that Franchisor implements promotions such as discount coupons, certificates, frequent customer cards, special menu promotions, gift cards and other activities intended to enhance customer awareness and build traffic at Boneheads Restaurants on a national, regional or local level. Franchisor may establish procedures and regulations related to those promotion in the Operations Manual and Franchisee agrees to honor and participate in these programs in accordance with such procedures and regulations specified by Franchisor in the Operations Manual or otherwise in writing. Franchisee understands that its participation in

these programs is essential to its success and that its participation may entail some cost to Franchisee. Franchisee agrees that Franchisor has no obligation to reimburse Franchisee for any costs it incurs due to its mandatory participation in these promotional programs.

(xvii) Without limiting any of Franchisee's other obligations under this Agreement, at the request of Franchisor, but not more often than once every 5 years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the premises of the Restaurant at its expense, to conform to the restaurant, trade dress, color schemes and presentation of the Marks in a manner consistent with the then-current image for new Restaurants ("Refurbishments"). Refurbishments may include structural changes, installation of new equipment and signs, remodeling, redecoration and modifications to existing improvements. Refurbishments are intended to be large-scale re-equipping, refurbishing and remodeling of the Restaurant, and nothing contained in this Subsection (xvii) of this Agreement will affect Franchisee's other obligations under this Agreement or the Manual.

(xviii) Become a member of any purchasing and/or distribution cooperative(s)/association(s)/program(s) designated by Franchisor and/or established by Franchisor for the Bonehead's System, remain a member in good standing thereof throughout the term of this Agreement and pay all membership dues or fees on purchases that are assessed by such purchasing and/or distribution cooperative(s)/association(s)/program(s).

(xix) As required by Franchisor, maintain a contract(s) with, or participate in any Franchisor contract(s), with any third-party(ies) offering customer service, shopper experience, food safety or other service programs designed to audit, survey or inspect business operations. Franchisee understands that Franchisor has the right to specify the third party(ies) and the required level of participation in such programs and Franchisee will bear the cost.

10. POINT OF SALE SYSTEM AND INFORMATION TECHNOLOGY

Franchisee, at its expense, must purchase and use a computerized cash collection and data processing system (the "POS System") that meets the standards and specifications provided by Franchisor from time to time in the Operations Manual or otherwise. Franchisee must enter all sales and other information Franchisor requires in the POS System. Franchisor may periodically require Franchisee, at its expense, to upgrade or update the POS System to remain in compliance with the standards and specifications required by Franchisor. Franchisee, at its expense, must maintain the POS System in good working order and connected to any telephone system or computer network that Franchisor requires. Franchisor may require Franchisee, at its expense, to configure and connect the POS System to Franchisor's systems to provide Franchisor with continuous real-time access to all information and data stored on the POS System. Franchisor may require Franchisee to pay Franchisor or its designated third parties reasonable fees to support and upgrade the POS System and a reasonable fee to Franchisor or its designated third party for polling or collecting data from the POS System. In addition to the POS System, Franchisee, at its expense, must equip the Restaurant with the computer hardware and software

that Franchisor specifies periodically and maintain access to the Internet or other computer network(s) that Franchisor specifies. In addition, Franchisee, at its expense, must also apply for and maintain other credit card, debit card or other non-cash payment systems that Franchisor periodically requires. Franchisor may require Franchisee to maintain support service contracts and/or maintenance service contracts and implement and periodically make upgrades and changes to the POS System, computer hardware and software, and credit card, debit card or other non-cash payment systems. Franchisor shall have the right to designate the vendor(s) for such support service contracts and maintenance service contracts.

11. ADVERTISING

11.1 Grand Opening. Franchisee, at its sole expense, must develop and implement a grand opening promotion approved by Franchisor to introduce or (if Franchisee is purchasing an existing Restaurant) to re-introduce the Restaurant to the public during the period that is 30 days prior and 60 days after the opening of the Restaurant or 60 days after the transfer of the Restaurant (if Franchisee is purchasing an existing Restaurant). Franchisee is required to spend a minimum of \$15,000 for the grand opening promotion. To the extent Franchisor has developed or approved marketing or advertising programs and materials for the Restaurant's grand opening, Franchisee must use such programs and materials.

11.2 Advertising Fund. In addition to all other amounts required to be paid hereunder, during the term hereof, Franchisee must pay to Franchisor, or such other entity designated by Franchisor, an amount based upon Gross Sales to be designated by Franchisor from time to time, in its sole discretion, provided such amount shall not exceed 2% of Gross Sales (the "Advertising Fee"), which amount shall be used by the Advertising Fund (as such term is hereinafter defined). The Advertising Fee shall be the same for all Boneheads franchisees. Payment of the Advertising Fee shall be made on or before Tuesday of each week and be based upon Gross Sales of the Restaurant for the preceding week. Advertising Fees shall be paid concurrently with the payment of the Royalty Fees.

The Advertising Fee will be expended for the benefit of Franchisor, Franchisee and all other franchisees or users of the Boneheads System for the production or purchase of such radio, television, print and/or other advertising materials or services as Franchisor deems necessary or appropriate, in its sole discretion, on a national, regional or local basis (the "Advertising Fund"). The expenditure of such funds for advertising is to be under the control of, and in the discretion of, Franchisor at all times, or such other entities designated by Franchisor. Franchisee understands and acknowledges that the Advertising Fund is intended to maximize and support general public recognition, brand identity, sales and patronage of Boneheads Restaurants for the benefit of all Boneheads Restaurants and that Franchisor undertakes no obligation to ensure that the Advertising Fund benefits each Boneheads Restaurant in proportion to its respective contributions. Franchisor agrees that all funds contributed to the Advertising Fund may be used to meet any and all costs (including, without limitation, reasonable salaries and overhead incurred by Franchisor) of maintaining, administering, directing and preparing national, regional or local advertising materials, programs and public relations activities including, without limitation, the costs of preparing and conducting television, radio, magazine, billboard, newspaper, direct response literature, direct mailings, brochures, collateral advertising material, implementing websites for Franchisor and/or its franchises, surveys of advertising effectiveness

and other media programs and activities, employing advertising agencies to assist therewith and providing promotional brochures, decals and other marketing materials.

The Advertising Fund shall be established as a separate banking account and monies received shall be accounted for separately from Franchisor's other funds and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration or direction of the Advertising Fund and its advertising programs (including, without limitation, conducting market research, preparing advertising and promotional materials, collecting and accounting for contributions to the Advertising Fund, paying for the preparation and distribution of financial statements, legal and accounting fees and expenses, taxes, and other reasonable direct and indirect expenses incurred by Franchisor or its authorized representatives in connection with programs funded by the Advertising Fund). The Advertising Fund will not be Franchisor's asset. A financial statement of the operations of the Advertising Fund shall be prepared annually, and shall be made available to Franchisee upon request. Franchisor may spend in any fiscal year more or less than the aggregate contribution of all Boneheads Restaurants to the Advertising Fund in that year, and the Advertising Fund may borrow from Franchisor or others to cover deficits or invest any surplus for future use. Any lender loaning money to the Advertising Fund shall receive interest at a reasonable rate. All interest earned on monies contributed to the Advertising Fund will be used to pay advertising costs before other assets of the Advertising Fund are expended. Franchisor may cause the Advertising Fund to be incorporated or operated through a separate entity at such time as Franchisor may deem appropriate, and such successor entity, if established, will have all rights and duties specified in this Section. Franchisor will not be liable for any act or omission with respect to the Advertising Fund that is consistent with this Agreement and done in good faith. Except as expressly provided in this Section 11.2, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Advertising Fund. Franchisee acknowledges and agrees that Franchisor is not operating or acting as a trustee or fiduciary with respect to the Advertising Fees collected. Franchisee agrees to participate in any promotion, marketing or advertising campaigns created by the Advertising Fund. Franchisor may reduce contributions of franchises to the Advertising Fund and upon notice to Franchisee, reduce the Advertising Fund's operation or terminate the Advertising Fund and distribute unspent monies to those contributing franchisees in proportion to their contributions in the past.

11.3 Local Advertising. Franchisee agrees that, in addition to the payment of the Advertising Fee and any amounts required under Section 11.1 hereof, it will spend a reasonable amount each calendar quarter for local market advertising but in no event less than 2% of Gross Sales per calendar quarter. The amount of advertising funds expended by Franchisee for individual local market advertising shall be determined by Franchisee, subject to the foregoing minimum requirement. Local advertising expenditures shall not include incentive programs, including, without limitation, costs of honoring coupons, food costs incurred in honoring sales promotions, salaries, contributions, donations, press parties, in-store fixtures or equipment, menus, serving guides and nutritional facts, yellow page advertising and exterior or interior signage. If Franchisee fails to make advertising expenditures in accordance with this Section, Franchisor shall have the right to spend an amount not to exceed 2% of the Gross Sales of the Restaurant on local advertising on behalf of Franchisee, and Franchisee must reimburse

Franchisor for such expenses. Failure to comply with this Section shall be deemed a material breach of this Agreement.

11.4 Advertising Cooperatives. In connection with the Restaurant and any and all other Boneheads Restaurants owned or operated by Franchisee, Franchisee shall participate, if required by Franchisor, in any local, regional or national cooperative advertising group, consisting of other franchisees of Boneheads Restaurants, when and if any such groups are created (each, an "Advertising Cooperative"). The particular Advertising Cooperative(s) in which Franchisee may be required to participate shall be designated by Franchisor in its sole discretion (which designations may be based upon, without limitation, the particular Designated Market Area or the Area of Dominant Influence, as those terms are used in the advertising industry, where the Boneheads Restaurants operated by Franchisee are located). Franchisee's payments to any Advertising Cooperative shall be determined by Franchisee and those other franchisees of the Boneheads System and/or Franchisor, as the case may be, who are participants in such Advertising Cooperative, as set forth in the by-laws of that Advertising Cooperative or membership, dues, participation or other payment agreements of such Advertising Cooperative. Franchisee, however, may not be required to spend more than 2% of Gross Sales per annum in connection with any Advertising Cooperative. Amounts paid to an Advertising Cooperative shall be credited against payments Franchisee is otherwise required to make for local advertising as required by Section 11.3 above. Any payments to an Advertising Cooperative shall be in addition to the amounts required to be paid or spent under Sections 11.1 and 11.2 hereof. Franchisee shall enter into such formal agreements with such other franchisees of the Boneheads System and/or Franchisor, as the case may be, as shall be necessary or appropriate to accomplish the foregoing and Franchisee shall abide by such formal agreements and decisions that the Advertising Cooperative is authorized by Franchisor to make related to advertising and marketing in the area covered by the Advertising Cooperative. If Franchisee becomes delinquent in its dues or other payments to the Advertising Cooperative or fails to abide by any formal agreements or authorized decisions of the Advertising Cooperative, such delinquency or failure shall be deemed a failure to participate in the Advertising Cooperative and a material breach of this Agreement. Franchisor may upon 30 days' written notice to Franchisee suspend or terminate an Advertising Cooperative's program or operations.

11.5 Approval of Advertising. Any and all advertising and marketing materials (whether developed in connection with an Advertising Cooperative or otherwise) not prepared or previously approved by Franchisor shall be submitted to Franchisor at least two weeks prior to any publication or run date for approval, which may be arbitrarily withheld. Franchisor may grant or withhold its approval, in its sole discretion. Franchisor will provide Franchisee with written notification of its approval or disapproval within a reasonable time. In the event Franchisor does not notify Franchisee of its approval or disapproval within 10 days of Franchisor's receipt of the materials, the materials shall be deemed approved. Franchisee must discontinue the use of any approved advertising within five days of Franchisee's receipt of Franchisor's request to do so. No advertising or promotion by Franchisee shall be conducted on or through the Internet/world wide web or other electronic transmission via computer without express prior written approval by Franchisor. All advertising and promotion by Franchisee must be factually accurate and shall not detrimentally affect the Marks or the Boneheads System, as determined in Franchisor's sole discretion.

12. COUNSELING AND ADVISORY SERVICES AND ONSITE ASSISTANCE

During the term of this Agreement, Franchisor may, in its sole discretion, upon the request of Franchisee, furnish counseling and advisory services to Franchisee with respect to the opening and operation of the Restaurant, including consultation and advice regarding the following: (i) equipment selection and layout; (ii) employee selection and training; (iii) advertising and promotion; (iv) recipes, food, formulas and specifications; (v) bookkeeping and accounting; (vi) purchasing and inventory control; (vii) operational problems and procedures; (viii) periodic inspections; and (ix) new developments and improvements to the Boneheads System. These counseling and advisory services shall occur at Franchisor's offices or via telephone or e-mail. Franchisor shall provide such assistance at no expense to Franchisee; provided, however, Franchisor reserves the right, in its sole discretion, to charge Franchisee a reasonable fee for unusual, extensive or extraordinary assistance requested by Franchisee and/or require Franchisee to reimburse Franchisor for expenses incurred by it in connection with providing such counseling and advisory services. In addition, if requested by Franchisee and Franchisor's personnel are available, Franchisor may provide onsite assistance and training at the Restaurant, however, Franchisor reserves the right to charge a reasonable fee for this onsite assistance plus expenses and costs incurred by Franchisor in rendering such assistance. In no event shall Franchisor be liable to Franchisee in connection with providing or failing to provide such services.

13. OPENING ASSISTANCE

Prior to opening the Restaurant, Franchisee shall comply with (i) all of Franchisor's pre-opening, development, construction and training requirements and checklists, and (ii) all other opening requirements set forth in this Agreement, the Operations Manual and/or elsewhere in writing by Franchisor ("Opening Requirements"). Upon satisfactory completion of the Opening Requirements, Franchisor shall provide Franchisee with an opening person(s) to assist in the opening of the Restaurant and the training of Franchisee's employees. The opening person(s) will remain at the Restaurant for such length of time as Franchisor shall deem necessary. Franchisor shall provide such opening person(s) at no charge to Franchisee; provided, however, Franchisor reserves the right, in its sole discretion, to charge Franchisee for extraordinary travel and living expenses incurred by such opening person(s) in connection with providing such opening assistance. In the event Franchisee needs and requests additional opening assistance from Franchisor's personnel, and Franchisor approves such request, Franchisee will pay all costs and expenses of such personnel, for as long as any such additional personnel assist at the Restaurant. The costs and expenses associated with this assistance include, but are not limited to, wages, salary, transportation, meals, lodging and fringe benefits. All personnel provided under this Section shall be selected by Franchisor and is subject to change or removal by Franchisor in its sole discretion. Franchisee must obtain written approval by Franchisor prior to opening the Restaurant. Franchisor shall have no obligation to approve the opening of the Restaurant if (a) Franchisee has not satisfied, as determined by Franchisor, all the Opening Requirements and other requirements under this Agreement, or (b) Franchisee or any of its affiliates are in default under any agreement with Franchisor.

14. TRAINING

14.1 Initial Training. The Restaurant must have two persons that (i) are designated by Franchisee to assume primary responsibility for managing the Restaurant and (ii) will devote full time and best efforts to the management and operation of the Restaurant (the "Managers"). Franchisee will inform Franchisor in writing as to the identity of the two Managers, including all additions to and successors. As and when required by Franchisor, the Managers must attend and successfully complete to the satisfaction of Franchisor an initial management training program specified by Franchisor or a comparable training program approved in advance by Franchisor in its sole discretion. Each Manager required to complete the initial training program must successfully complete it before the Restaurant may open for business. No fee will be charged by Franchisor for the participation of the two Managers in the training program, however, the Franchisee shall be responsible for the costs and expenses (such as transportation, lodging, meals and compensation) of each person who attends the training. During operations hours, a Manager who has successfully completed the initial training program must at all times be at the Restaurant. In the event that a Manager ceases active employment at the Restaurant, Franchisee must notify Franchisor within 5 days of cessation of the Manager's employment at the Restaurant and enroll a qualified replacement in the initial management training program within 30 days of cessation of such Manager's employment. Franchisor, in its sole discretion, reserves the right to waive all or a portion of the training program required under this Section.

14.2 Training of Employees. Franchisee shall implement a training program approved by Franchisor for employees of the Restaurant and shall be responsible for the proper training of its employees. Franchisee agrees not to employ any person who fails or refuses to complete Franchisee's training program or is unqualified to perform his or her duties at the Restaurant in accordance with the requirements established for the operation of a Boneheads Restaurant.

14.3 Additional Training. Franchisee and its Managers and employees shall attend and conduct such additional training programs as Franchisor may from time to time reasonably require relating to the operation of the Restaurant and the Boneheads System. Franchisee also may be required to purchase training films or other instructional materials as specified by Franchisor from time to time in the Operations Manual or otherwise.

14.4 Conferences. Franchisor may require Franchisee and/or one or more of the operating managers of the Restaurant to attend conferences which may be offered by Franchisor from time to time. Franchisee will be responsible for the travel and living expenses of such persons, and Franchisor may charge a reasonable fee sufficient to cover the costs and expenses of such conferences.

14.5 Requirements to Attend Training. All individuals participating in training programs offered by Franchisor must (i) behave in a professional, non-disruptive, non-harassing and non-discriminatory manner, (ii) not be under the influence of any stimulant during training, and (iii) satisfy any other training pre-requisites set forth in the Manual. Franchisor has a right to terminate training for any individual that, in Franchisor's judgment, does not satisfy the requirements in this Section and Franchisee must immediately designate a replacement.

15. MARKS

15.1 Ownership of the Marks. Franchisee acknowledges and agrees that nothing herein contained shall give Franchisee any right, title or interest in and to the Marks, except the non-exclusive right to use the Marks in connection with the operation of the Restaurant under the Boneheads System in accordance with the terms of this Agreement. Franchisee also acknowledges and agrees that the Marks and all goodwill now or in the future pertaining to the Marks are the sole and exclusive property of Franchisor and that it shall not raise or cause to be raised any questions concerning, or objections to, the validity or ownership of such Marks on any grounds whatsoever. Franchisee will not seek to register, reregister or assert claim to or ownership of, or otherwise appropriate to itself, any of the Marks or any marks or names confusingly similar to the Marks, or the goodwill symbolized by the Marks except insofar as such action inures to the benefit of and has the prior written approval of Franchisor. Upon the expiration, termination or cancellation of this Agreement, whether by lapse of time, default or otherwise, Franchisee agrees immediately to discontinue all use of the Marks and to remove all copies, replicas, reproductions or simulations thereof from the Restaurant and to take all necessary steps to assign, transfer or surrender to Franchisor or otherwise place in Franchisor or its designee title to all such names or marks (other than the Marks) which Franchisee may have used during the term of this Agreement or any renewal or extension thereof in connection with the operation of the Restaurant. Franchisee hereby acknowledges that Franchisor owns and controls the Boneheads System and all of its components.

15.2 Use of the Marks. In order to protect the Marks, the Boneheads System, and the goodwill associated therewith, Franchisee shall, unless Franchisor otherwise consents in writing:

(i) Only use the Marks designated by Franchisor, and only in the manner authorized and permitted by Franchisor. Franchisee's right to use the Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights.

(ii) Only use the Marks for the operation of the Restaurant and only at the Franchised Site, or in advertising for the business conducted at or from the Franchised Site. Franchisee may not use any of the Marks in any part of any domain name or electronic address.

(iii) Operate and advertise the Restaurant only under the name "BONEHEADS" or such other Marks as Franchisor may designate from time to time, without prefix or suffix, except to describe the location of the Restaurant.

(iv) If Franchisee is a corporation, limited liability company, partnership or other type of entity, not use any of the Marks, including, without limitation, the name "BONEHEADS" in its corporate or other legal name without the prior express written consent of Franchisor.

(v) Not permit the use of any trade names, trademarks or service marks at the Restaurant or the Franchised Site other than the Marks.

(vi) If state or local laws or ordinances require that Franchisee file an affidavit of doing business under an assumed name or otherwise file a report or other certificate indicating that BONEHEADS or any similar name is being used as a fictitious or assumed name, include in such filing or application therefor an indication that the filing is made as a franchisee of BONEHEADS SEAFOOD, INC., a Georgia corporation, Atlanta, Georgia.

(vii) Have the symbol TM, SM or R enclosed in a circle or such other symbols or words as Franchisor may designate to protect the Marks on all surfaces where the Marks appear.

15.3 Infringement. Franchisee shall promptly inform Franchisor in writing of any infringement or imitations of any Marks, the Boneheads System, or any act of unfair competition against Franchisor or Franchisee as to which Franchisee has knowledge. Franchisee shall not make any demand or serve any notice, orally or in writing, or institute any legal action or negotiate, compromise or settle any controversy with respect to any such infringement or unfair competition without first obtaining Franchisor's written consent. Franchisor shall have the exclusive right to institute, negotiate, compromise, settle, dismiss, appeal or otherwise handle any such action and take such steps as it may deem advisable to prevent any such action and to join Franchisee and any other franchisees as a party to any such action to which Franchisor may be a party and to which Franchisee is or would be a necessary or proper party, but nothing herein shall be construed to obligate Franchisor to seek recovery of costs or damages of any kind in any such litigation, the assertion or waiver of such claims being within the sole discretion of Franchisor. The costs of any such action shall be paid by Franchisor and any recovery obtained from such infringers shall be paid to Franchisor.

15.4 Substitute Marks. If Franchisor decides to change, add or discontinue use of any Mark, or to introduce additional or substitute Marks, Franchisee, upon a reasonable period of time after receipt of written notice, shall take such action, at its sole expense, as is necessary to comply with such changes, alteration, discontinuation, addition or substitution. Franchisor shall have no liability for any loss of revenue or goodwill due to any new Mark or discontinued Mark.

16. RELATIONSHIP OF THE PARTIES

It is the express intention of the parties hereto that Franchisee is and shall be an independent contractor under this Agreement, and no partnership, joint venture, fiduciary relationship or other special relationship shall exist between Franchisee and Franchisor. This Agreement does not constitute Franchisee as the agent, legal representative or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, Franchisor or in any way to bind Franchisor. Franchisee agrees not to incur or contract for any debt or obligation on behalf of the Franchisor, or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor, or be detrimental to the good name and reputation of Franchisor or any other franchisees of Franchisor.

17. MAINTENANCE OF CREDIT STANDING

The failure or repeated delay in making prompt payments in accordance with the terms of invoices and statements rendered to Franchisee for purchases of supplies, equipment and other items, whether purchased from Franchisor or others, or defaults in making payments due hereunder or under any other agreement entered into in connection with the operation of the Restaurant, will result in a loss of credit rating and standing which will be detrimental to Franchisor and other franchisees of the Boneheads System. Franchisee agrees to pay when due all amounts which it owes to anyone for supplies, equipment and other items used in connection with the Restaurant and all payments owed hereunder or under any other agreement entered into in connection with the operation of the Restaurant. Franchisee must notify Franchisor immediately when and if Franchisee becomes more than 90 days delinquent in the payment of any of the obligations mentioned above.

18. INDEMNIFICATION, INSURANCE AND TAXES

18.1 Indemnification. Franchisee agrees to indemnify, defend and hold harmless Franchisor and its affiliates, shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any taxes described in Section 18.3 below and any claims and liabilities directly or indirectly arising out of the Restaurant's operation or Franchisee's breach of this Agreement, except to the extent they arise as a result of Franchisor's own gross negligence or willful misconduct. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigations and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. Franchisor has the exclusive right to defend any such claim. This indemnity will continue in effect after the expiration or termination of this Agreement. Under no circumstances will Franchisor or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate its or their losses and expenses, in order to maintain and recover fully a claim against Franchisee.

18.2 Insurance. Franchisee agrees to secure and maintain during the term of this Agreement, at its own cost, the following insurance policies by carriers approved by Franchisor:

(i) Such insurance as may be required by the terms of any lease for the Franchised Site or, if there is no such lease, Franchisee agrees to carry fire and extended coverage insurance covering the building and all equipment, supplies, products, inventory, furniture, fixtures and other tangible property located in the Restaurant or on the Franchised Site in the amount of the full insurable value of such property.

(ii) Commercial General Liability Insurance, including coverages for products-completed operations, contractual liability, personal and advertising injury, fire damage, medical expenses, and liquor liability, having a combined

single limit for bodily injury and property damage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate (except for fire damage and medical expense coverages, which may have different limits of not less than \$300,000 for one fire and \$5,000 for one person, respectively); plus (ii) non-owned automobile liability insurance and, if Franchisee owns, rents or identifies any vehicles with any Mark or vehicles are used in connection with the operation of the Restaurant, automobile liability coverage for owned, non-owned, scheduled and hired vehicles having a combined single limit of \$1,000,000 per occurrence; plus (iii) excess liability umbrella coverage for the general liability and automobile liability coverages in an amount of not less than \$2,000,000 per occurrence and aggregate. All such coverages shall be on an occurrence basis and shall provide for waivers of subrogation.

(iii) Workers' compensation insurance, or a similar policy if the Restaurant is located in a non-subscriber state, covering all of its employees as is required by law.

(iv) Adequate limits for comprehensive crime and blanket employee dishonesty insurance.

(v) Business interruption and extra expense insurance for a minimum of six (6) months to cover net profits and continuing expenses (including Royalty Fees).

Franchisee agrees that Franchisor shall be named as an additional insured under each of the foregoing insurance policies. Prior to the opening of the Restaurant and, thereafter, at least 30 days prior to the expiration of any such policy or policies, Franchisee shall deliver to Franchisor certificates of insurance evidencing the proper coverage with limits not less than those required hereunder, and all such certificates shall expressly contain endorsements requiring the insurance company to give Franchisor at least 30 days written notice in the event of material alteration to termination, non-renewal, or cancellation of, the coverages evidenced by such certificates and notice of any claim filed under such policy within 30 days after the filing of such claim. Franchisor may, from time to time, during the term of this Agreement, at its sole option, require that the minimum limits and types of insurance coverage, as specified above, be increased or changed as determined solely by Franchisor. If Franchisee at any time fails or refuses to maintain any insurance coverage required by Franchisor or to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies hereunder, may, but need not, obtain such insurance coverage on behalf of Franchisee, and Franchisee shall pay to Franchisor on demand any premiums incurred by Franchisor in connection therewith. Franchisee's obligation to obtain and maintain, or cause to be obtained and maintained, the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 18.1 hereof. Notwithstanding the existence of such insurance, Franchisee, as agreed above, is and shall be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the franchised business and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting

therefrom.

18.3 Taxes. Franchisee shall promptly pay when due all taxes levied or assessed by reason of its operation and performance under this Agreement including, but not limited to, if applicable, state employment tax, state sales tax (including any sales or use tax on equipment purchased or leased) and all other taxes and expenses of operating the Restaurant. In no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant to occur against the Restaurant, the Franchised Site or any tangible personal property used in connection with the operation of the Restaurant.

19. ASSIGNMENT

19.1 Assignment by Franchisor. This Agreement may be unilaterally assigned by the Franchisor and shall inure to the benefit of its successors and assigns. Franchisee agrees and affirms that Franchisor may sell itself, its assets, the Marks and/or the Boneheads System to a third-party; may go public, may engage in private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. Franchisee further agrees and affirms that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or noncompetitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Boneheads Restaurants operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which Franchisee acknowledges may be proximate to any of its Restaurants. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Marks (or any variation thereof) and the Boneheads System and/or the loss of association with or identification of Boneheads Seafood, Inc. under this Agreement. If Franchisor assigns its rights in this Agreement, nothing in this Agreement shall be deemed to require Franchisor to remain in the Boneheads business or to offer or sell any products or services to Franchisee.

19.2 Assignment by Franchisee. Franchisee shall not subfranchise, sell, assign, transfer, merge, convey or encumber (each, a "Transfer"), the Restaurant, the Franchised Site, this Agreement or any of its rights or obligations hereunder, or suffer or permit any such Transfer of the Restaurant, the Franchised Site, this Agreement or its rights or obligations hereunder to occur by operation of law or otherwise without the prior express written consent of Franchisor. In addition, if Franchisee is a corporation, limited liability company, partnership, business trust, or similar association or entity, the shareholders, members, partners, beneficiaries, investors or other equity holders, as the case may be, may not Transfer their equity interests in such corporation, limited liability company, partnership, business trust, or similar association or entity, without the prior written consent of Franchisor. Furthermore, in the event that any shareholder, member, partner, investor or other equity holder of Franchisee (the "Equity Holder") is a corporation, limited liability company, partnership, business trust, or similar association or entity, the interests of the shareholders, members, partners, beneficiaries, investors or other equity holders, as the case may be, in such Equity Holder, may not be Transferred, without the prior written consent of Franchisor. Franchisor will not unreasonably withhold

consent to a Transfer provided the requirements of Section 19.4 have been satisfied. Any Transfer in violation of this Section shall be void and of no force and effect. In the event Franchisee or an Equity Holder is a corporation, limited liability company, partnership, business trust, or similar association or entity with certificated equity interests, all stock or equity certificates of Franchisee or Equity Holder, as the case may be, shall have conspicuously endorsed upon them a legend in substantially the following form:

“A transfer of this stock is subject to the terms and conditions of a BONEHEAD’S SEAFOOD, INC. FRANCHISE AGREEMENT dated the _____ day of _____, _____.”

19.3 Death or Disability of Franchisee. Upon Franchisee’s death or Disability (as such term is hereinafter defined), this Agreement or the ownership interest of any deceased or disabled shareholder, partner, member or other equity holder of the Franchisee or an Equity Holder must be Transferred to a party approved by Franchisor. Any Transfer, including, without limitation, transfers by devise or inheritance or trust provisions, shall be subject to the same conditions for Transfers set forth in Section 19.4. Franchisor shall not unreasonably withhold its consent to the Transfer of this Agreement or any ownership interest to the deceased or disabled Franchisee’s or Equity Holder’s spouse, heirs or members of his or her immediate family, provided all requirements of Section 19.4 have been complied with (except payment of the transfer fee, which shall not apply to such Transfers). A “Disability” shall have occurred with respect to Franchisee if Franchisee, or, if Franchisee is a corporation, partnership or limited liability company, its controlling shareholder, partner, member or other equity holder, is unable to actively participate in its activities as Franchisee hereunder for any reason for a continuous period of six months. As used in this Section 19.3, “Franchisee” may include a disabled or deceased controlling shareholder, partner or member where the context so requires.

19.4 Approval of Assignment. Franchisor’s approval of any Transfer is, in all cases, contingent upon the following:

(i) the purchaser and/or the controlling persons of the purchaser having a satisfactory credit rating, being of good moral character, having business qualifications satisfactory to Franchisor, being willing to comply with Franchisor’s training requirements and being willing to enter into an agreement in writing to assume and perform all of Franchisee’s duties and obligations hereunder and/or enter into a new Franchise Agreement, if so requested by Franchisor, and agreeing to enter into any and all agreements with Franchisor that are being required of all new franchisees, including a guaranty agreement, or any other agreement which may require payment of different or increased fees from those paid under this Agreement; provided, however, the amount of the Royalty Fees paid hereunder shall not be increased upon an assignment;

(ii) the terms and conditions of the proposed transfer (including, without limitation, the purchase price) being satisfactory to Franchisor;

(iii) all monetary obligations (whether hereunder or not) of Franchisee to Franchisor or Franchisor’s affiliates or subsidiaries being paid in full;

(iv) Franchisee not being in default hereunder or any other agreement between Franchisee and Franchisor, including the Development Agreement;

(v) Franchisee and its owners executing a general release of any and all claims against Franchisor and its affiliates, subsidiaries, members, managers, officers, directors, employees and agents, in a form satisfactory to Franchisor;

(vi) Franchisee paying to Franchisor a transfer fee equal to one-half of the then current Franchise Fee plus reimbursement for all legal, training and other expenses incurred by Franchisor in connection with the Transfer;

(vii) Franchisee first offering to sell such interest to Franchisor pursuant to Section 22.3 of this Agreement and the same having been declined in the manner therein set forth;

(viii) the Marks not being used in any advertising for any Transfer prohibited by Sections 19.2 and 19.3 hereof; and

(ix) at Franchisor's request, the proposed transferee or assignee refurbishes the Restaurant in the manner and subject to the provisions described in Section 2.2(v) hereof.

19.5 Removal of General Partner. If Franchisee is a limited partnership, Franchisee may not remove or appoint, or permit the limited partners to remove or appoint, a new or successor general partner without the prior written consent of Franchisor (even if such appointment is due to the resignation, death or disability of the General Partner).

20. RESTRICTIVE COVENANTS

20.1 Covenants Not to Compete.

(i) Non-Competition during Term. In addition to and not in limitation of any other restrictions on Franchisee contained herein, Franchisee and Franchisee's spouse, and, if Franchisee is not an individual, its shareholders, members, partners and managers, as applicable, and their spouses (each, a "Bound Party"), agree that they will not, during the term of this Agreement, directly or indirectly, for and on behalf of itself, himself, herself or any other person or entity, during the term of this Agreement (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business (as defined below), regardless of location or (b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business, regardless of location.

(ii) Post-Term Non-Competition. In addition to and not in limitation of any other restrictions on Franchisee contained herein, Franchisee and the Bound Parties agree that they will not, for one year following the effective date of termination or expiration of this Agreement for any reason, or following the date of a Transfer by Franchisee, directly or indirectly, for and on behalf of itself, himself, herself or any other person or entity, (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business or (b) perform services as a director, officer, manager, employee, consultant, representative, agent,

or otherwise for a Competitive Business which, in either case, is located or operating within a three mile radius of any Boneheads Restaurant.

(iii) General. For purposes of this Agreement, the term “Competitive Business” means any business operating, or granting franchises or licenses to others to operate, a restaurant or other food service business engaged in the retail or wholesale production or sale of fresh seafood, menu items or any other main course menu items Franchisor authorizes for sale at Boneheads Restaurants (other than another Boneheads Restaurant operated by Franchisee under license from Franchisor). Neither Franchisee nor the other Bound Parties will be prohibited from owning securities in a Competitive Business if they are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of the number of shares of that class of securities which are issued and outstanding. The parties acknowledge that the covenants contained in Section 20.1 are based on the reason and understanding that Franchisee and the Bound Parties will possess knowledge of Franchisor’s business and operating methods and confidential information, disclosure and use of which would prejudice the interest of Franchisor and its franchisees. Franchisee further understands and acknowledges the difficulty of ascertaining monetary damages and the irreparable harm that would result from breach of these covenants. If any part of this restriction is found to be unreasonable in time or distance, such time or distance may be reduced by appropriate order of the court to that deemed reasonable. Franchisor shall, as a matter of course, receive injunctive relief to enforce such covenants in addition to any other relief to which it may be entitled at law or in equity. Franchisor shall receive such injunctive relief without the necessity of posting bond or other security, such bond or other security being hereby waived.

20.2 Non-Solicitation of Employees. Franchisee and the Bound Parties agree that while this Agreement is in effect and for one year after expiration or termination of this Agreement for any reason, or following the date of a Transfer by Franchisee, they will not, directly or indirectly, solicit or attempt to solicit, or otherwise interfere with or disrupt the employment relationship between Franchisor and any of its employees or between any other Boneheads franchisee and its employees.

20.3 Trade Secrets and Confidential Information.

(i) Franchisee acknowledges and agrees that in connection with the operation of Boneheads Restaurants and the Boneheads System, Franchisor has developed at a great expense competitively sensitive proprietary and confidential information which are not commonly known by or available to the public. This proprietary and confidential information does not include any information that (a) is commonly known by or available to the public; (b) has been voluntarily disclosed to the public by Franchisor; (c) been independently developed or lawfully obtained by Franchisee; or (d) has otherwise entered the public domain through lawful means. All information which comprises the Boneheads System including the information and data in the Operations Manual will be presumed to be confidential information of Franchisor.

(ii) Franchisee and each Bound Party agree that while this Agreement remains in effect such party will not, directly or indirectly, disclose or publish to

any party, or copy or use for such party's own benefit, or for the benefit of any other party, any of Franchisor's proprietary or confidential information, except as required to carry out Franchisee's obligations under this Agreement or as Franchisor has otherwise expressly approved in writing. All proprietary and confidential information of Franchisor is the sole and exclusive property of Franchisor. Franchisee and each Bound Party agree that the restriction contained in the preceding sentence will remain in effect with respect to the confidential information for five years following termination or expiration of this Agreement for any reason; provided, however, if the confidential information rises to the level of a trade secret, then such restriction shall remain in effect until such time as the information does not constitute a trade secret. Franchisee also agrees that it and all of its employees and agents will take appropriate steps to protect Franchisor's confidential information from any unauthorized disclosure, copying or use. At any time upon Franchisor's request, and in any event upon termination or expiration of this Agreement, Franchisee will immediately return any copies of documents where there are materials containing confidential information and will take appropriate steps to permanently delete and render unusable any confidential information stored electronically.

20.4 Personal Covenants of Certain Bound Parties. As a condition to the effectiveness of this Agreement, and at the time Franchisee delivers this signed Agreement to Franchisor, each Bound Party of Franchisee must sign and deliver to Franchisor the Personal Covenants attached hereto as Exhibit B (the "Personal Covenants"), agreeing to be bound personally by all the provisions of Sections 20.1, 20.2 and 20.3 hereof. If there are any changes in the identity of any such Bound Party while this Agreement is in effect, Franchisee must notify Franchisor promptly and make sure the new Bound Party signs and delivers to Franchisor the Personal Covenants.

20.5 Agreements by Other Third Parties. As a condition to Franchisor's execution of this Agreement, Franchisee, if requested by Franchisor, shall cause each of its management and supervisory employees and other employees to whom disclosures of confidential information are made to execute a noncompetition, nonsolicitation and/or nondisclosure agreement in the form(s) prescribed by Franchisor from time to time.

20.6 Reasonable Restrictive Covenants. Franchisee acknowledges and agrees that (i) the covenants and restrictions in this Section 20 are reasonable, appropriate and necessary to protect the Bonehead's System, other Bonehead's franchisees and the legitimate interest of the Franchisor, and (ii) do not cause undue hardship on Franchisee or any of the other individuals required by this Section 20 to comply with the covenants and restrictions.

21. TERMINATION

21.1 Termination by Franchisee. Franchisee may terminate this Agreement if Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such material breach within 90 days after written notice thereof is delivered to Franchisor. Notwithstanding the foregoing, if the breach is curable but is of a nature which cannot reasonably be cured with such 90 day period and Franchisor has commenced and is continuing to make good faith efforts to cure such breach, Franchisor shall be

given an additional 60 day period to cure the same, and this Agreement shall not terminate. In the event of termination by Franchisee, all post-termination obligations of Franchisee described herein shall not be waived but shall be strictly adhered to by Franchisee.

21.2 Termination by Franchisor without a Cure Period. Franchisor may immediately terminate this Agreement upon written notice to Franchisee, without opportunity to cure, if:

(i) Franchisee files a petition under any bankruptcy or reorganization law, becomes insolvent, or has a trustee or receiver appointed by a court of competent jurisdiction for all or any part of its property;

(ii) Following commencement of the operation of the Restaurant, Franchisee ceases to operate the Restaurant at the Franchised Site;

(iii) Franchisee seeks to effect a plan of liquidation, reorganization, composition or arrangement of its affairs, whether or not the same shall be subsequently approved by a court of competent jurisdiction; it being understood that in no event shall this Agreement or any right or interest hereunder be deemed an asset in any insolvency, receivership, bankruptcy, composition, liquidation, arrangement or reorganization proceeding;

(iv) Franchisee has an involuntary proceeding filed against it under any bankruptcy, reorganization, or similar law and such proceeding is not dismissed within 60 days thereafter;

(v) Franchisee makes a general assignment for the benefit of its creditors;

(vi) Franchisee fails to pay when due any amount owed to Franchisor or its affiliates or subsidiaries, whether under this Agreement or not, and Franchisee does not correct such failure within 10 calendar days after written notice thereof is delivered to Franchisee;

(vii) Franchisee fails to pay when due any amount owed to any creditor, supplier or lessor of the Restaurant or the Franchised Site or any taxing authority for federal, state or local taxes (other than amounts being bona fide disputed through appropriate proceedings) and Franchisee does not correct such failure within 10 calendar days after written notice is delivered thereof to Franchisee;

(viii) Franchisee fails to commence operation of the Restaurant at the Franchised Site within four months after execution of this Agreement, except for any delay that is agreed to in writing by the Franchisor, in its sole discretion;

(ix) Franchisee or any of Franchisee's owners are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect the reputation of the Boneheads System and the goodwill associated with the Marks;

(x) Franchisee operates the Restaurant or any phase of the franchised business in a manner that presents a health or safety hazard to Franchisee's customers, employees or the public;

(xi) Franchisee makes a material misrepresentation to Franchisor before or after being granted the franchise;

(xii) Franchisee makes an unauthorized Transfer of this Agreement, the franchise, the Restaurant, or an ownership interest in Franchisee;

(xiii) Franchisee or any Bound Party or any other employee of Franchisee breaches or fails to comply fully with Section 20 above;

(xiv) Franchisee (a) misuses or makes an unauthorized use of or misappropriates any Mark, (b) commits any act which can be reasonably expected to materially impair the goodwill associated with any Mark, (c) challenges Franchisor's ownership of the Marks, (d) files a lawsuit involving the Marks without Franchisor's consent, or (e) fails to cooperate with Franchisor in the defense of any Mark;

(xv) Franchisee makes or permits a third party to make any unauthorized use or disclosure of any confidential information or trade secret of Franchisor;

(xvi) Franchisee fails to comply with any federal, state or local law or regulation applicable to the operation of the franchise (including any failure to comply with the Anti-Terrorism Laws (as defined below) as set forth in Section 42.2 below);

(xvii) The franchised business or the Franchised Site is seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment against Franchisor remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed), or a levy of execution has been made upon the license granted by this Agreement or any property used in the franchised business, and it is not discharged within five days of such levy;

(xviii) Franchisee loses for any cause whatsoever right of possession as owner or lessee of the real property on which the Restaurant is located. (However, if all or a substantial part of the real property on which the Restaurant is located is taken by eminent domain proceedings so as to make the Restaurant not in compliance with Franchisor's construction specifications or so as to make the Restaurant inoperable for the purpose of carrying out the requirements of this Agreement, then Franchisor and Franchisee will agree upon a new location for the Restaurant and Franchisee will construct and equip the new Restaurant in accordance with the then current construction specifications of Franchisor within 180 days after the designation of such location. All of the terms of this

Agreement not specifically modified herein shall apply to the construction, maintenance and operation of such new Restaurant);

(xix) Franchisee knowingly maintains false books or records or denies Franchisor's authorized representatives immediate access to Franchisee's books and records during an audit or inspection;

(xx) Franchisee submits to Franchisor a financial report or other data, information or supporting records which understate by more than 5% the Royalty Fees and/or Advertising Fees due for any reporting period and is unable to demonstrate that such understatements resulted from an inadvertent error;

(xxi) Franchisee has received at least three default notices from Franchisor within a 12 month period, even if such default is subject to a right to cure or is cured after notice is delivered to Franchisee; or

(xxii) Franchisee is dissolved either voluntarily or involuntarily.

21.3 Termination by Franchisor with a Cure Period. Franchisor shall have the right to terminate this Agreement upon 30 days written notice if defaults remain uncured in Franchisor's sole discretion for the following reasons. Notwithstanding the foregoing, if the breach is curable but is of a nature which cannot reasonably be cured within such 30 day period and Franchisee has commenced and is continuing to make good faith efforts to cure such breach, Franchisee shall be given an additional 30 day period to cure the same, and this Agreement shall not terminate.

(i) Franchisee fails or refuses to submit financial statements, reports or other operating data, information or supporting records when due;

(ii) Franchisee fails to relocate or commits a default (other than a monetary default which shall be subject to Section 21.2(vii) above) under the lease, sublease, purchase contract or other contract for the Franchised, Site, the Restaurant or any equipment or supplies utilized in the operation thereof;

(iii) Franchisee fails to provide or maintain required insurance coverage;

(iv) Franchisee fails to restore the Restaurant to full operation within a reasonable period of time (not to exceed 90 days) after the Restaurant is rendered inoperable by any casualty; or

(v) Franchisee fails to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by Franchisor.

21.4 Management of Restaurant by Franchisor. In addition to Franchisor's right to terminate this Agreement, and not in lieu thereof, Franchisor may enter into the Restaurant and exercise complete authority with respect to the management thereof until such time as Franchisor